Pace of investment in Indian industries

2105. SHRI SURESH PACHOURI: Will the Minister of COMMERCE AND INDUSTRY be pleased to state:

(a) whether the pace of investment in the Indian industries has slowed down;

(b) if so, the reasons therefor indicating the investment made in Indian Industry during the Ninth Five Year Plan, year-wise; and

(c) the steps being taken by Government to accelerate the pace of investment and create conducive atmosphere for investment during the Tenth Five Year Plan?

THE MINISTER OF STATE IN THE MINISTRY OF COMMERCE AND INDUSTRY(DR. RAMAN SINGH): (a) and (b) The investment in real terms has slowed down as measured in terms of Gross Capital Formation for the industry (Mining and quarrying, Manufacturing, Electricity, Gas and Water supply and Construction), during 1996-97 and 2000-01 and is as follows:—

Gross fixed capital formation by industry of Use (at 1993-94 prices)

(*Rs. in crore*)

Sectors	1996-97	1997-98	1998-99	1999-2000	2000-01
Mining and Quarrying	5755	5801	5272	5975	3626
Manufacturing	121748	112321	103381	96067	106446
Elect. Gas and Water supply	21660	21730	23415	25907	25173
Construction	2633	5617	4819	5096	3083
TOTAL	151796	145469	136887	133045	138873
Percent change		(-4.17)	(-5.9)	(-2.81)	(4.38)

Source: CSO, National Accounts Statistics 2001, Statement 20 and Press Release dated 31.1.2002. Data for 2000-01 are provisional.

The pace of investment in the Indian Industries has slowed down. Studies conducted by the Reserve Bank of India (RBI) and the Centre for Monitoring Indian Economy (CMIE) have identified lack of aggregate

demand as the primary cause for industrial slowdown and the recent fall in investment both in public and private sectors. The other factors, structural and cyclical, responsible for slowdown are:

(i) Operation of Investment and business cycles,

(ii) Inherent adjustment lags of corporate restructuring,

(iii) Lack of both consumer and investment demand,

(iv) High real interest rate,

(v) Infrastrucutre constraints, particularly, in power,

(vi) Lack of reforms inland and labour markets, and

(vii) Economic slowdown in countries that are major trading partners of India, *viz.*, USA, Japan and European Union.

(c) The Tenth Five Year Plan is in the process of finalization. However, the Approach Paper for the Tenth Five Year Plan approved by the National Development Council (NDC) indicates that in order to achieve the target of 8 per cent growth in Gross Domestic Product (GDP), the industrial sector will have to grow over 10 percent in real terms. This represents a major acceleration from its past performance, which has to take place in an environment that will be significantly different from the past. First, industry will have to face much stronger international competition, as Indian domestic market is now more open with Quantitative Restrictions (QRs) on imports having been removed with effect from April,2001. Secondly, the relative role of the public sector will decline in the course of Tenth Plan as the incremental capacities will be mainly in the private sector, in addition to the fact that disinvestment converts many of the existing public sector enterprises to non-government enterprises.

The Government has taken several policy initiatives to accelerate the pace of investment and create conducive atmosphere for investment. These steps have been targeted to improve competitiveness of Indian industry in general and to boost aggregate demand, improve infrastructure base, upgrade technology, and encourage Foreign Direct Investment (FDI)

flows and rationalize tax structure. Some such steps taken recently are briefly mentioned below:

- Department of Industrial Policy & Promotion (DIPP) has entrusted a study to assess global competitiveness of capital goods sector to an organization of international repute.

- Medium Term Export Strategy for 2002—2007 was announced emphasizing the importance of maintaining appropriate real effective exchange rate coupled with lower duties for inputs needed for exports. These include transparent and comprehensive schemes of tax reimbursement, comprehensive VAT system at every level, rebating service tax besides lower customs and excise duties for major inputs needed for exports, which can minimise the need for duty drawback.

- Sector-wise strategies to boost production for exports in key sectors, which include engineering/electronic/electrical and allied, textiles, gems & jewellery, chemicals & allied sector, have also been announced in the Medium Term Export Strategy.

- To improve operating environment of the companies, Companies Act has been amended to allow buy-back of Shares by the companies.

- Power sector reforms have received a boost in pursuance of the centre's decision to provide grants equal to the amount by which States have been able to reduce their power sector deficits. The States of Haryana, Rajasthan and Andhra Pradesh have been able to reduce losses in the past couple of years. While Haryana is expected to emerge with cash profits in 2001-2002, Rajasthan and Andhra Pradesh have reduced their power sector deficits. These three States will now be eligible for matching grant under the Accelerated Power Development and Reform Programme (APDRP).

- The draft Electricity Bill has been introduced in the Parliament for facilitating comprehensive power sector reforms.

Some measures announced in the Union Budget 2002-2003, which are also steps towards accelerating the pace of investment and creating conducive atmosphere for investment, are given below:—

- The Union Budget 2002-2003 has made allocations towards some of the major schemes, which will boost demand especially in construction, housing, steel and cement sectors. These schemes include PM's Gram Sadak Yojana, Infrastructure Equity Fund, Urban Reform Incentive Fund, City Challenge Fund and Accelerated Power Development Reform Programme.
- The advancement of completion time for the Golden Quadrilateral road project will help improve commercial vehicles volume.
- Abolition of 16% special excise duty on all, except eight items, will increase production and hence demand.
- Additional 15% depreciation on new plant and machinery is to step up investment.
- Reduction of peak rate of customs duty to 30% with effect from 1.3.2002 and rationalisation of customs duty rates to two duty rates by 2004-2005.

Performance in the import and export sector

2106. SHRI CHO S. RAMASWAMY: Will the Minister of COMMERCE AND INDUSTRY be pleased to state:

(a) the total value of exports in both value and quantity of major products separately during the last financial year;

(b) whether it is as per the estimated target;

(c) if not, what steps are being taken to improve the performance;

(d) what is the total value of imports during the last financial year; and

(e) whether imports have increased or decreased as compared to the previous statistics?